

Forest Carbon Partnership Facility (FCPF)

Auditing and Financial Statements

Amendment to the Charter

June 2, 2010

1. At the fourth meeting of the Participants Committee (PC), the Trustee of the FCPF discussed with the Participants a proposal for shifting the special audit of the FCPF to the new World Bank single audit process. At that meeting, the PC agreed, through its Additional Decisions, to initiate such a change, stating that “since such change requires an amendment to the Charter, the FMT will circulate a draft amendment for consideration by PC5. For FY09, the PC has agreed to waive the audit requirement”.
2. Prior to the PC’s fifth meeting (PC5) held in Gabon March 22-25, 2010, the FMT circulated the draft amendment for consideration by the PC. At PC5, some Participants proposed modifications to the proposed amendment and the PC agreed that the draft amendment would be re-circulated to the PC members for consideration.
3. Accordingly, the FMT is hereby resubmitting the proposed amendment to Article 1 and Section 18.2 (b) and (c) contained in the annex to this note for consideration by the PC at its sixth meeting (PC6). Upon adoption of the amendment by the PC, the FMT will circulate such amendment to those Participants who are not present at PC6 for their endorsement.
4. In accordance with the Amendment Procedure of Section 21.1 (a), as amended, “the Charter may only be amended by the Bank with the prior unanimous consent of the Participants Committee, provided that all other Participants that are not the members of the Participants Committee at the time the amendment is adopted are notified and there is no objection from any such Participant within thirty (30) days after the notification is issued by the Facility Management Team.”

Annex

Proposed Amendments to the FCPF Charter

Section 1.1. Definitions:

46. **“Modified Cash Basis of Accounting”** means a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards, wherein Contributions will be recorded when received, expenditures will be recorded as disbursements when paid rather than when committed;

Proposed amendment:

Section 1.1.46 shall be deleted in its entirety.

Section 18.2 Financial Statements

- (a) The Readiness Fund and the Carbon Fund shall have separate records and ledger accounts.
- (b) The Trustee of the Readiness Fund shall provide to the Donor Participants and the Trustee of the Carbon Fund shall provide to the Carbon Fund Participants, audited financial statements, using a Modified Cash Basis of Accounting.
- (c) The auditors shall be the Bank’s auditor as appointed from time to time.

Proposed amendment:

Section 18.2 (b) and (c) shall be deleted in its entirety and replaced by the following:

- (b) Once the Participants are granted access to the World Bank’s Trust Funds Donor Center secure website, the Trustee shall furnish to the Participants current financial information relating to receipts, disbursements and fund balance in the holding currency of the Fund via the World Bank’s Trust Funds Donor Center secure website. The Trustee shall promptly notify Participants once access to the World Bank’s Trust Funds Donor Center secure website has been granted. Within six (6) months after all commitments and liabilities under the Fund have been satisfied and the Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the holding currency of the Fund shall be made available by the Trustee to the Participants via the World Bank’s Trust Funds Donor Center secure website.
- (d) The Trustee shall provide to the Participants, within six (6) months following the end of each Bank fiscal year, the annual single audit, comprising (i) a management assertion together with an attestation from the World Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole; and (ii) a combined financial statement for all trust funds

together with the World Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the World Bank.

- (e) If a (some) Participant(s) wish(es) to request, on an exceptional basis, a financial statement audit by the World Bank's external auditors of the Fund, the Participant(s) and the Trustee shall first consult as to whether such an external audit is necessary, because the Trustee has observed that in some instances, the Participants' concerns may be best addressed by undertaking other types of reviews (e.g., testing of specific transactions, limited detailed compliance testing) which may not necessarily be covered as part of a financial statement audit. In addition, the purpose of such consultation is to ensure that the costs of any such audits or other reviews are minimized while achieving the desired objectives, as the costs of any such audits / reviews, including the internal costs of the Trustee with respect to such audit, shall be paid for by the requesting Participant(s). The Trustee will arrange for a financial statement audit / review once the Participant(s) and Trustee have reached agreement upon its scope and the Participant(s) has (have) accepted to pay for such costs.